

Cape Agulhas

MUNICIPALITY

FINANCIAL STATEMENTS

30 JUNE 2013

CAPE AGULHAS LOCAL MUNICIPALITY

Index

Contents	Page
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of comparison of budget and actual amounts - Statement of Financial Position	7 - 8
Statement of comparison of budget and actual amounts - Statement of Financial Performance	9 - 10
Statement of comparison of budget and actual amounts - Cash Flow Statement	11 - 12
Accounting Policies	13 - 40
Notes to the Financial Statements	41 - 69

APPENDICES - Unaudited

A Schedule of External Loans	70
B Analysis of Property, Plant and Equipment	71
C Segmental Analysis of Property, Plant and Equipment and Investment Property	72
D Segmental Statement of Financial Performance - Municipal Votes	73
E (1) Actual Versus Budget (Operating Expenditure)	74
E (2) Actual Versus Budget (Acquisition of Property, Plant and Equipment)	75
F Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	76

CAPE AGULHAS LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Cape Agulhas Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Cape Agulhas Municipality includes the following areas:

<i>Bredasdorp</i>	<i>L'Agulhas</i>	<i>Protem</i>
<i>Napier</i>	<i>Arniston</i>	<i>Klipdale</i>
<i>Struisbaai</i>	<i>Suiderstrand</i>	

MEMBERS OF THE COUNCIL

Executive Mayor	<i>RG Mitchell</i>
Executive Deputy Mayor	<i>D Jantjes</i>
Speaker	<i>E C Marthinus (Ms)</i>
Councillor - Full time	<i>M R Mokotwana</i>
Councillor - Part time	<i>P N Atyhosni (Miss)</i>
Councillor - Part time	<i>J G A Niewoudt</i>
Councillor - Part time	<i>G D Burger</i>
Councillor - Part time	<i>JA Coetzee</i>
Councillor - Part time	<i>W J October</i>

MUNICIPAL MANAGER

Mr D O'Neill

CHIEF FINANCIAL OFFICER

Mr H Schlebusch

REGISTERED OFFICE

PO Box 51, Bredasdorp, 7280

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Bredasdorp

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Luttig & Son

CAPE AGULHAS LOCAL MUNICIPALITY

MEMBERS OF THE CAPE AGULHAS LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Mr W J October
2	Mr D Jantjies (Executive Deputy Mayor)
3	Mr RG Mitchell (Executive Mayor)
4	Mr JGA Niewoudt
5	Mr GD Burger
Proportional	Mr MR Mokotwana (Member of Executive Mayor Committee)
Proportional	Mrs EC Marthinus (Speaker)
Proportional	Mr JA Coetzee
Proportional	Miss PN Atyhosi

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 76 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr D O'Neill
Municipal Manager

Date

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R (Actual)	2012 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		270 920 038	258 480 167
Capital Replacement Reserve	2	16 500 000	20 500 000
Housing Development fund	2	1 337 286	1 337 286
Valuation Roll Reserve	2	2 000 000	1 500 000
Accumulated Surplus	2	251 082 752	235 142 882
Non-Current Liabilities		52 262 818	37 217 512
Long term Liabilities	3	651 888	1 030 604
Employee benefits	4	30 373 646	25 435 038
Non-Current Provisions	5	21 237 284	10 751 870
Current Liabilities		21 616 174	19 786 676
Consumer Deposits	6	3 412 296	3 152 702
Current Employee benefits	7	5 502 083	4 440 997
Provisions	8	310 511	297 066
Payables from exchange transactions	9	5 772 164	6 591 014
Unspent Conditional Government Grants and Receipts	10	6 205 157	4 527 986
Unspent Public Contributions	11	-	-
Taxes	12	-	395 246
Current Portion of Long-term Liabilities	3	413 962	381 665
Total Net Assets and Liabilities		344 799 030	315 484 355
ASSETS			
Non-Current Assets		300 380 666	270 476 812
Property, Plant and Equipment	13	244 594 114	224 123 048
Investment Property	14	35 709 648	36 597 378
Intangible Assets	15	520 431	113 806
Capitalised Restoration cost	16	19 065 201	9 262 274
Non-Current Investments	17	140 459	-
Long-Term Receivables	18	350 813	380 306
Current Assets		44 418 365	45 007 544
Inventory	19	908 680	973 426
Receivables from exchange transactions	20	12 700 588	11 999 495
Receivables from non-exchange transactions	21	2 390 888	2 635 087
Unpaid Conditional Government Grants and Receipts	10	3 603 367	2 760 250
Operating Lease Asset	22.1	64 545	48 588
Taxes	12	181 657	-
Current Portion of Long-term Receivables	18	6 239	5 938
Cash and Cash Equivalents	23	24 562 400	26 584 761
Total Assets		344 799 030	315 484 355

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		122 244 960	98 886 118
Taxation Revenue		34 763 132	32 427 167
Property taxes	24	34 763 132	32 427 167
Transfer Revenue		86 620 439	65 624 109
Government Grants and Subsidies - Capital	25	23 712 195	7 746 917
Government Grants and Subsidies - Operating	25	62 888 244	57 877 193
Public Contributions and Donations		20 000	-
Other Revenue		861 390	834 842
Actuarial Gains	4	-	83 897
Fines		861 390	750 944
Revenue from Exchange Transactions		103 919 901	96 008 703
Service Charges	26	91 847 022	83 938 807
Rental of Facilities and Equipment		5 013 761	4 755 910
Interest Earned - external investments		2 049 891	2 224 184
Interest Earned - outstanding debtors	27	636 871	514 177
Licences and Permits		1 036 463	1 012 345
Agency Services		1 102 740	1 079 210
Other Income	28	2 233 153	2 484 069
Total Revenue		226 164 861	194 894 821
EXPENDITURE			
Employee related costs	30	68 377 942	61 987 554
Remuneration of Councillors	31	3 076 960	2 907 221
Debt Impairment	32	2 179 110	1 003 858
Depreciation and Amortisation	33	6 807 178	6 094 192
Impairments	34	256 995	1 308
Repairs and Maintenance		8 696 553	7 861 822
Actuarial losses	4	2 022 024	19 086
Finance Charges	35	663 058	350 594
Bulk Purchases	36	49 044 131	44 663 562
Contracted services		1 126 992	987 889
Operating Grant Expenditure	37	39 998 012	37 290 653
General Expenses	38	24 673 689	23 277 413
Loss on disposal of PPE		6 802 346	1 375 644
Total Expenditure		213 724 991	187 820 798
NET SURPLUS/(DEFICIT) FOR THE YEAR		12 439 871	7 074 023

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Valuation Roll Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R	R	R
Balance at 1 JULY 2011	1 000 000	1 337 286	30 000 000	217 334 064	249 671 350
Correction of error - Refer to note 39.07	-	-	-	1 734 795	1 734 795
Restated Balance at 1 JULY 2011	1 000 000	1 337 286	30 000 000	219 068 859	251 406 144
Net Surplus for the year	-	-	-	7 074 023	7 074 023
Transfer to/from CRR	-	-	4 564 188	(4 564 188)	-
Property, Plant and Equipment purchased	-	-	(14 064 188)	14 064 188	-
Transfer to Valuation Roll Reserve	500 000	-	-	(500 000)	-
Restated Balance at 1 JULY 2012	1 500 000	1 337 286	20 500 000	235 142 882	258 480 167
Net Surplus for the year	-	-	-	12 439 871	12 439 871
Transfer to CRR	-	-	5 941 551	(5 941 551)	-
Property, Plant and Equipment purchased	-	-	(9 941 551)	9 941 551	-
Transfer to Valuation Roll Reserve	500 000	-	-	(500 000)	-
Balance at 30 JUNE 2013	2 000 000	1 337 286	16 500 000	251 082 752	270 920 038

CAPE AGULHAS LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		140 762 476	123 849 322
Government		87 409 293	68 919 403
Interest		2 711 961	2 738 361
Payments			
Suppliers and employees		(198 384 315)	(178 453 750)
Finance charges	35	(663 058)	(350 594)
Cash generated by operations	41	<u>31 836 357</u>	<u>16 702 742</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(33 202 246)	(23 799 435)
Purchase of Investment Property	14	-	(426 000)
Proceeds on Disposal of Fixed Assets		229 958	366 907
Decrease in Long-term Receivables		29 193	32 871
Purchase of Intangible Assets		(451 500)	(43 422)
Increase in Non-Current Investments		(377 297)	-
Net Cash from Investing Activities		<u>(33 771 892)</u>	<u>(23 869 078)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		43 969	731 147
Loans repaid		(390 390)	(635 455)
Increase in Consumer Deposits		259 594	272 429
Net Cash absorbed from Financing Activities		<u>(86 826)</u>	<u>368 121</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(2 022 361)</u>	<u>(6 798 215)</u>
Cash and Cash Equivalents at the beginning of the year		26 584 761	33 382 975
Cash and Cash Equivalents at the end of the year	42	24 562 400	26 584 761
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(2 022 361)</u>	<u>(6 798 215)</u>

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final budget)	R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	24 562 400	16 572 375	7 990 025	Unspent grant funding included in cash reserves
Consumer debtors	15 091 476	17 589 829	(2 498 353)	Increase in arrear accounts resulting in a higher provision for impairment
Other Receivables	3 849 669	955 036	2 894 534	Regional Bulk Infrastructure Grant expenditure to be recovered in 2013/2014
Current portion of long-term receivables	6 239	5 000	1 239	
Inventory	908 680	1 022 097	(113 417)	
Total current assets	44 418 365	36 144 337	8 274 028	
Non current assets				
Long-term receivables	350 813	375 306	(24 493)	
Investments	146 459	-	140 459	
Investment property	35 705 648	36 594 644	(884 996)	
Property, plant and equipment	244 594 114	242 116 488	2 477 646	Excessive budget for depreciation
Intangible Assets	520 431	77 231	443 199	
Capitalised Restoration Cost	19 065 201	9 086 576	9 978 624	Increase in the cost of landfill site rehabilitation on 30 June 2013
Total non current assets	300 380 866	288 250 226	12 130 440	
TOTAL ASSETS	344 798 030	324 394 563	20 404 467	
LIABILITIES				
Current liabilities				
Borrowing	413 962	399 764	14 198	
Consumer deposits	3 412 296	3 341 885	70 431	
Trade and other payables	11 977 321	7 625 037	4 352 284	Grant funding received for projects not utilised in current year.
Provisions and Employee Benefits	5 812 595	4 811 919	1 000 675	
Total current liabilities	21 616 174	16 178 586	5 437 589	
Non current liabilities				
Borrowing	651 888	630 840	21 048	
Provisions and Employee Benefits	51 610 930	39 608 177	12 002 753	Increase in the cost of landfill site rehabilitation on 30 June 2013
Total non current liabilities	52 262 818	40 239 017	12 023 800	
TOTAL LIABILITIES	73 878 992	56 417 603	17 461 389	
NET ASSETS	270 920 037	267 976 960	2 943 078	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	251 082 752	245 339 675	5 743 078	
Reserves	19 837 286	22 637 286	(2 800 000)	Decrease necessitated by the availability of uncommitted cash to back reserves
TOTAL COMMUNITY WEALTH/EQUITY	270 920 038	267 976 960	2 943 078	

CAPE AGULHAS LOCAL MUNICIPALITY
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

ASSETS	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
Current assets				
Cash	14 522 160	2 050 215	16 572 375	Cost savings
Consumer debtors	13 096 172	4 493 658	17 589 829	Adjustment in line with 2012 closing debtors balances
Other Receivables	550 000	405 036	955 036	
Current portion of long-term receivables	5 000	-	5 000	
Inventory	800 000	222 097	1 022 097	
Total current assets	28 973 331	7 171 006	36 144 337	
Non current assets				
Long-term receivables	385 000	(9 684)	375 306	
Investment property	35 818 863	775 781	36 594 644	
Property, plant and equipment	239 696 728	2 419 740	242 116 468	Thusong centre moved from operating to capital (R 2.5m)
Intangible Assets	83 604	(6 373)	77 231	
Capitalised Restoration Cost	1 195 084	7 891 492	9 086 576	Adjustment required budget in line with 2012 audited financial figures
Total non current assets	277 179 279	11 070 948	288 250 226	
TOTAL ASSETS	306 132 610	18 241 953	324 394 563	
LIABILITIES				
Current liabilities				
Borrowing	138 884	260 880	399 764	
Consumer deposits	3 190 710	151 155	3 341 865	
Trade and other payables	10 680 992	(3 055 955)	7 625 037	Adjustment to reduce payable balance in line with 2012 audited financial statements
Provisions and Employee Benefits	4 812 500	(581)	4 811 919	
Total current liabilities	18 823 087	(2 644 501)	16 178 586	
Non current liabilities				
Borrowing	559 597	71 243	630 840	
Provisions and Employee Benefits	31 253 503	8 354 674	39 608 177	Adjustment required budget in line with 2012 audited figures. Refer to restoration costs.
Total non current liabilities	31 813 100	8 425 917	40 239 017	
TOTAL LIABILITIES	50 636 187	5 781 416	56 417 603	
NET ASSETS	255 516 422	12 460 538	267 976 961	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	237 679 136	7 660 538	245 339 675	
Reserves	17 837 286	4 800 000	22 637 286	Cost savings in 2012 resulted in more than expected uncommitted cash reserves.
TOTAL COMMUNITY WEALTH/EQUITY	255 516 422	12 460 538	267 976 961	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2013 (Actual)	2013 R	2013 R	(Final Budget)	(Variance)	Explanations for material variances
Property rates	34 768 132	34 766 909			(3 777)	
Service charges	91 847 022	94 508 021			(2 660 999)	Correction of internal revenue previously not budgeted for accurately
Rental of facilities and equipment	5 013 761	5 663 640			(649 879)	
Interest earned - external investments	2 049 891	2 165 000			(115 109)	
Interest earned - outstanding debtors	636 871	695 500			(58 629)	
Fines	861 390	1 119 260			(257 870)	
Licences and permits	1 036 463	1 148 570			(112 107)	
Agency services	1 102 740	1 214 000			(111 260)	
						Less than expected project expenditure resulting in the roll over of funds to 2013/2014 and GAP Housing Project budgeted for under operating grants, whilst the expenditure incurred was of a capital nature.
Government Grants and Subsidies - Operating	62 888 244	68 046 312			(5 158 068)	
Other revenue	2 263 153	2 541 341			(288 188)	
Total Operating Revenue	202 452 667	211 868 553			(9 415 886)	
EXPENDITURE BY TYPE						
Employee related costs	68 377 942	70 404 603			(2 026 661)	Cost savings and temporary workers utilised on capital projects.
Remuneration of councillors	3 076 960	3 161 274			(84 314)	
Debt impairment	2 179 110	1 000 000			1 179 110	Increase in arrear debtors resulting in an increase in the provision for bad debts.
Depreciation & asset impairment	7 064 174	9 375 067			(2 310 893)	Excessive budget for depreciation
Finance charges	663 058	713 047			(49 989)	
Bulk purchases	49 044 131	46 529 338			2 514 793	Increase in electricity sales
Contracted services	1 126 992	1 171 000			(44 008)	
Other expenditure	75 390 279	84 467 374			(9 077 095)	Less than expected project expenditure resulting in the roll over of funds to 2013/2014
Loss on disposal of PPE	6 802 346	5 10 568			6 291 778	Sale of properties not budgeted for.
Total Operating Expenditure	213 724 991	217 332 271			(3 607 280)	
Operating Deficit for the year	(11 272 324)	(5 463 718)			(5 808 606)	
Government Grants and Subsidies - Capital	23 712 195	16 562 141			7 150 054	Regional Bulk Infrastructure Grant expenditure to be recovered in 2013/2014 and GAP Housing project not budgeted for under capital.
Net Surplus for the year	12 439 871	11 098 423			1 341 448	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
ADJUSTMENTS TO APPROVED BUDGET

REVENUE BY SOURCE	2013			Reasons for material adjustments
	R	R	(Final Budget)	
Property rates	34 476 586	290 323	34 766 909	
Service charges	91 763 281	2 744 740	94 508 021	Increase in electricity sales
Rental of facilities and equipment	5 663 640	-	5 663 640	
Interest earned - external investments	2 200 000	(35 000)	2 165 000	
Interest earned - outstanding debtors	695 500	-	695 500	
Fines	1 119 260	-	1 119 260	
Licences and permits	1 148 570	-	1 148 570	
Agency services	1 214 000	-	1 214 000	
Government Grants and Subsidies - Operating	55 034 684	13 011 628	68 046 312	Additional grant funding received from various spheres of government
Other revenue	2 447 521	93 820	2 541 341	
Total Operating Revenue	195 763 042	16 105 511	211 868 553	
EXPENDITURE BY TYPE				
Employee related costs	69 255 612	1 148 991	70 404 603	More temporary staff employed
Remuneration of councillors	3 161 274	-	3 161 274	
Debt impairment	1 000 000	-	1 000 000	
Depreciation & asset impairment	9 358 255	16 812	9 375 067	
Finance charges	269 296	443 751	713 047	
Bulk purchases	45 260 338	1 269 000	46 529 338	Increase in electricity sales
Contracted services	1 060 000	111 000	1 171 000	
Other expenditure	71 457 947	13 009 427	84 467 374	Additional grant funding received from various spheres of government
Loss on disposal of PPE	-	510 568	510 568	
Total Operating Expenditure	200 822 722	16 509 549	217 332 271	
Operating Deficit for the year	(5 059 680)	(404 038)	(5 463 718)	
Government Grants and Subsidies - Capital	13 326 316	3 235 825	16 562 141	
Net Surplus for the year	8 266 636	2 831 787	11 098 423	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	140 762 476	144 097 357		
Government	87 409 293	83 667 000	(3 334 880)	
Interest	2 711 961	2 860 500	3 742 293	Additional grant funding received from various spheres of government
Payments				
Suppliers and Employees	(198 384 315)	(209 728 990)	-	(148 539)
Finance charges	(663 058)	(713 047)	11 344 674	
Transfers and Grants	-	-	49 989	Increase in unspent grant funding
NET CASH FROM/(USED) OPERATING ACTIVITIES	31 836 357	20 182 820	-11 653 537	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	229 958	-	229 958	
Decrease/(increase) in non-current receivables	29 193	5 938	23 255	
Decrease/(increase) in non-current investments	-	-	-	
Increase in Non-Current Investments	(377 297)	-	(377 297)	
Payments				
Capital assets	(33 653 746)	(30 008 641)	(3 645 104)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(33 771 892)	(30 002 703)	(3 769 189)	Regional Bulk Infrastructure Grant expenditure to be recovered in 2013/2014
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	43 969	-	43 969	
Increase/(decrease) in consumer deposits	259 594	189 162	70 432	
Payments				
Repayment of borrowing	(390 390)	(381 665)	(8 725)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(86 826)	(192 503)	105 676	
NET INCREASE/(DECREASE) IN CASH HELD				
Cash and Cash Equivalents at the beginning of the year	(2 022 361)	(10 012 386)	7 990 025	
Cash and Cash Equivalents at the end of the year	26 584 761	26 584 761	-	7 990 025
	24 562 400	16 572 375		

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R	2013 R	2013 R	(Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other			1 004 427	144 097 357	
Government	143 092 930	15 306 000		83 667 000	
Interest	68 361 000	(35 000)		2 860 500	Additional grant funding received from various spheres of government
Dividends	2 895 500				
Payments					
Suppliers and Employees					
Finance charges	(192 193 654)	(17 535 336)		(209 728 990)	
Transfers and Grants	(269 296)	(443 751)		(713 047)	Additional grant funding received from various spheres of government
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 886 480	-1 703 660		20 182 820	
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of Assets					
Decrease/(Increase) in non-current receivables	5 000		938		5 938
Decrease/(Increase) in non-current investments		-			
Payments					
Capital assets					
NET CASH FROM/(USED) INVESTING ACTIVITIES	(26 842 816)	(3 165 825)		(30 008 641)	
					(30 002 703)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Borrowing					
Increase/(decrease) in consumer deposits	290 065		(100 902)		189 162
Payments					
Repayment of borrowing					
NET CASH FROM/(USED) FINANCING ACTIVITIES	(143 158)	(238 507)		(381 665)	
					(192 503)
NET INCREASE/(DECREASE) IN CASH HELD					
Cash and Cash Equivalents at the beginning of the year					
Cash and Cash Equivalents at the end of the year					

CAPE AGULHAS LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. The municipality acquired a 100% stake in an entity in the current year. However, due to the immaterial nature of the entity's operations and the fact that the Municipality resolved to de-register the entity on 28 May 2013, no significant impact is expected when the Standard eventually becomes effective.	Unknown (Original GRAP is Effective)
GRAP 7 (Revised – Mar 2012)	Investments in Associate This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does have any interest in associates.	1 April 2013
GRAP 8 (Revised – Nov 2010)	Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	Unknown (Original GRAP is Effective)
GRAP 18	Segment Reporting The objective of this Standard is to establish	Unknown

(Original – Feb 2011)	<p>principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p>	Unknown

	No significant impact is expected as the Municipality does not have any SPE's at this stage.	
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The CRR must be cash backed and the Director Financial Services is delegated to determine the contribution to/from the CRR during the compilation of the annual financial statements.

1.8.2 *Housing Development Fund*

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8.4 *Valuation Roll Reserve*

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve per year should be approximately 25% of the anticipated cost of the General Valuation.

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 *Unspent Conditional Government Grants and Receipts*

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 *Unpaid Conditional Government Grants and Receipts*

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource

embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued,

and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued on a bi-annual basis by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued bi-annually by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating

municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Infrastructure	Years	Other	Years
Streets and Stormwater	8 – 99	Buildings	100
Solid Waste	10 – 64	Specialist vehicles	12-30
Electricity	10-64	Other vehicles	10-15
Water	12-48	Office equipment	2-30
Sewerage and sanitation	13 - 89	Furniture and fittings	10-30
		Tools and equipment	5 - 30
		Equipment	5-50
		Tables	10 - 30
Community		Chairs	10-30
Recreational Facilities	5-50	Computer equipment	10
Clinics	100	Landfill Sites	9 – 68
Halls	10 – 100		
Libraries	10-100		
Parks and gardens	30		
Sport Facilities	10-100		

Finance lease assets

Office equipment	3 – 5
Vehicles	5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is

estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.5 *De-recognition*

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INTANGIBLE ASSETS

1.16.1 *Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality

accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 *Depreciation and Impairment – Cost Model*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100
Land	Indefinite

1.17.4 *De-recognition*

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 *Initial Recognition*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 *Subsequent Measurement*

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's

gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured at every reporting period and recognised at cost.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 *Initial Recognition*

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of

three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments

1.22.3 *De-recognition of Financial Instruments*

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying

economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-Retirement Medical Obligations and Long Service Awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant

risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the

taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
2 NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	270 920 038	258 480 167
Housing Development fund	16 500 000	20 500 000
Valuation Roll Reserve	1 337 286	1 337 286
Accumulated Surplus	2 000 000	1 500 000
Total Net Asset Reserve and Liabilities	251 082 752	235 142 882
	270 920 038	258 480 167
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	698 721	818 793
Capitalised Lease Liability - At amortised cost	367 130	593 476
<u>Less:</u> Current Portion transferred to Current Liabilities	1 065 850	1 412 269
Annuity Loans - At amortised cost	413 962	381 665
Capitalised Lease Liability - At amortised cost	138 864	120 178
Total Long-term Liabilities - At amortised cost using the effective interest rate method	275 098	261 487
	651 888	1 030 604
Annuity loans at amortised cost is calculated at 15.00% interest rate a maturity date of 30 June 2017.		
The obligations under annuity loans are scheduled below:		
Amounts payable under annuity loans:		Minimum annuity payments
Payable within one year	238 724	238 724
Payable within two to five years	715 942	954 478
Payable after five years	-	-
<u>Less:</u> Future finance obligations	954 666	1 193 202
Present value of annuity obligations	(255 946)	(374 409)
	698 721	818 793
The obligations under finance leases are scheduled below:		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	296 832	303 541
Payable within two to five years	94 813	352 780
<u>Less:</u> Future finance obligations	391 644	656 321
Present value of lease obligations	(24 515)	(62 845)
	367 130	593 476
Leases are secured by property, plant and equipment - Note 13		
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.2	26 574 560	22 408 791
Long Service Awards - Refer to Note 4.3	3 799 086	3 026 247
Total Non-current Employee Benefit Liabilities	30 373 646	25 435 038
<u>Post Retirement Benefits</u>		
Balance 1 July	23 046 325	20 733 698
Contribution for the year	3 204 815	2 906 819
Expenditure for the year	(646 958)	(613 278)
Actuarial Loss	1 660 522	19 086
Total post retirement benefits 30 June	27 264 704	23 046 325
<u>Less:</u> Transfer of Current Portion - Note 7	(690 144)	(637 534)
Balance 30 June	26 574 560	22 408 791

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<u>Long Service Awards</u>		
Balance 1 July	3 324 864	2 983 946
Contribution for the year	658 861	603 307
Expenditure for the year	(270 322)	(178 492)
Actuarial Loss/(Gain)	361 502	(83 897)
Total long service 30 June	4 074 905	3 324 864
Less: Transfer of Current Portion - Note 7	(275 819)	(298 617)
Balance 30 June	3 799 086	3 026 247

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	26 371 189	23 717 644
Contribution for the year	3 863 676	3 510 126
Expenditure for the year	(917 280)	(791 770)
Actuarial Loss/(Gain)	2 022 024	(64 811)
Total employee benefits 30 June	31 339 609	26 371 189
Less: Transfer of Current Portion - Note 7	(965 963)	(936 151)
Balance 30 June	30 373 646	25 435 038

4.1 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in an sound financial position with a funding level of 99.40% (30 June 2011 - 98.10%).

Contributions paid recognised in the Statement of Financial Performance	56 128	48 793
---	--------	--------

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 108.0% (30 June 2011 - 116.9%).

Contributions paid recognised in the Statement of Financial Performance	5 206 002	4 963 028
---	-----------	-----------

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councilors Pension Fund	242 553	223 274
SAMWU National Provident Fund	807 876	763 313
	1 050 429	986 587

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4.2 Post Retirement Benefits

2013
R

2012
R

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	92	117
In-service (employee) non-members	194	162
Continuation members (e.g. Retirees, widows, orphans)	23	22
Total Members	309	301

The liability in respect of past service has been estimated to be as follows:

In-service members	16 097 224	10 841 739
Continuation members	11 167 480	9 891 959
Total Liability	27 264 704	20 733 698

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011	2010	2009
	R	R	R
Total Liability	20 733 698	16 704 011	16 197 860

Experience adjustments were calculated as follows:

	2013	2011	2009
	R m	R m	R m
Liabilities: (Gain) / loss	27.265	20.734	16.704
Assets: Gain / (loss)	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwumed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R 1 485 960, whereas the Interest- Cost for the next year is estimated to be R 2 421 222.

	2013	2012
	%	%

i) Rate of interest

Discount rate	8.99%	8.73%
Health Care Cost Inflation Rate	7.72%	7.29%
Net Effective Discount Rate	1.18%	1.34%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Valuation reports

Valuations are performed bi-annually. The last valuation was performed on 31 July 2013.

The amounts recognised in the Statement of Financial Position are as follows:

2013
R

2012
R

Present value of fund obligations	27 264 704	23 046 325
Net liability	27 264 704	23 046 325

The liability is unfunded.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year		
Total expenses	23 046 325	20 733 698
Current service cost	2 557 857	2 293 541
Interest Cost	1 220 237	1 122 269
Benefits Paid	1 984 578	1 784 550
Actuarial losses	(646 958)	(613 278)
Present value of fund obligation at the end of the year	1 660 522	19 086
Less: Transfer of Current Portion - Note 7	27 264 704	23 046 325
Balance 30 June	(690 144)	(637 534)
	26 574 560	22 408 791

Sensitivity Analysis on the Accrued Liability

Assumption		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		16.097	11.167	27.265	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	20.100	12.514	32.614	20%
Health care inflation	-1%	13.005	10.020	23.025	-16%
Post-retirement mortality	-1 year	16.688	11.565	28.252	4%
Average retirement age	-1 year	17.633	11.167	28.801	6%
Withdrawal Rate	-50%	18.016	11.167	29.183	7%

Assumption	Change	Current-service Cost (R m)	Interest Cost (R m)	Total (R m)	% change
Central Assumption		1.220	1.985	3.205	

The effect of movements in the assumptions are as follows:

Health care inflation	1%	1.541	2.379	3.920	22%
Health care inflation	-1%	0.976	1.672	2.648	-17%
Post-retirement mortality	-1 year	1.264	2.057	3.321	4%
Average retirement age	-1 year	1.264	2.098	3.362	5%
Withdrawal Rate	-50%	1.408	2.126	3.534	10%

4.3 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 281 (2012 - 279) employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 366 131, whereas the Interest cost for the next year is estimated to be R 302 875.

Key actuarial assumptions used:	2013 %	2012 %
---------------------------------	-----------	-----------

i) Rate of interest

Discount rate	7.69%	7.94%
General Salary Inflation (long-term)	6.87%	6.30%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.76%	1.54%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Valuation reports

Valuations are performed bi-annually. The last valuation was preformed on 31 July 2013.

The amounts recognised in the Statement of Financial Position are as follows:	2013 R	2012 R
Present value of fund obligations	4 074 905	3 324 864
Net liability	4 074 905	3 324 864

The liability is unfunded.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011	2010	2009
	R	R	R
Total Liability	2 983 946	2 288 169	1 930 123

Experience adjustments were calculated as follows:

	2013	2011	2009
	R m	R m	R m
Liabilities: (Gain) / loss	4.075	2.984	2.288
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year			
Total expenses		3 324 864	2 983 946
Current service cost		388 539	424 815
Interest Cost			
Benefits Paid			
Actuarial (gains)/losses			
Present value of fund obligation at the end of the year		406 541	376 641
Less: Transfer of Current Portion - Note 7		252 320	226 666
Balance 30 June		(270 322)	(178 492)
		361 502	(83 897)
		4 074 905	3 324 864
		(275 819)	(298 617)
		3 799 086	3 026 247

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		4.075	
General salary inflation	1%	4.441	9%
General salary inflation	-1%	3.750	-8%
Average retirement age	-2 yrs	3.614	-11%
Average retirement age	2 yrs	4.502	10%
Withdrawal rates	-50%	4.894	20%

5	2013	2012
	R	R
NON-CURRENT PROVISIONS		

Provision for Rehabilitation of Landfill-sites	21 237 284	10 751 870
--	-------------------	-------------------

<u>Landfill Sites</u>			
Balance 1 July			
Increase in Estimate		11 048 936	2 864 405
Unwinding of discounted interest		9 998 781	8 041 310
		500 078	143 220
Total provision 30 June		21 547 795	11 048 936
Less: Transfer of Current Portion to Current Provisions - Note 8		(310 511)	(297 066)
Balance 30 June		21 237 284	10 751 870

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

<u>Location</u>	<u>Estimated decommission- date</u>		
Bredasdorp	2066	9 851 875	9 131 258
Napier	2055	3 200 366	47 250
Waenhuiskrans	2055	2 516 563	527 856
Struisbaai	2055	5 668 479	1 045 506
L'Agulhas	2009 (Over due)	310 511	297 066
		21 547 795	11 048 936

6	CONSUMER DEPOSITS		
Electricity		2 161 057	2 004 022
Water		1 251 239	1 148 681
Total Consumer Deposits		3 412 296	3 152 702
Guarantees held in lieu of Electricity and Water Deposits		-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	690 144	637 534
Current Portion of Long-Service Provisions - Note 4	275 819	298 617
Performance Bonuses	583 089	544 751
Staff Leave	3 953 031	2 960 094
Pension Fund Shortages	-	-
Total Current Employee Benefits	5 502 083	4 440 997
The movement in current employee benefits are reconciled as follows:		
<u>Performance Bonuses</u>		
Balance at beginning of year	544 751	513 528
Contribution to current portion	561 299	544 751
Expenditure incurred	(522 961)	(513 528)
Balance at end of year	583 089	544 751
Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
<u>Staff Leave</u>		
Balance at beginning of year	2 960 094	2 675 868
Contribution to current portion	1 391 434	586 776
Expenditure incurred	(398 497)	(302 550)
Balance at end of year	3 953 031	2 960 094
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<u>Pension</u>		
Balance at beginning of year	-	272 760
Expenditure incurred	-	(272 760)
Balance at end of year	-	-
The Council contributes to the Cape Joint Pension Fund. The conditions of the fund stipulate that any shortfall in the fund may be recovered from municipalities. The fund indicated that a shortfall arose and that the municipality is liable for this contribution.		
8 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 5	310 511	297 066
Total Provisions	310 511	297 066
9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	1 861 038	3 476 767
Pre-Paid Electricity	145 383	121 161
Debtors with credit balances	1 148 223	922 836
Sundry Creditors	429 545	440 516
Payments received in advance	219 439	187 143
Retentions	1 598 972	994 210
Balance previously reported	997 283	
Correction of error - Refer to note 39.04	(3 073)	
Sundry Deposits	369 563	448 381
Total Trade Payables	5 772 164	6 591 014

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants		
	National Government Grants	6 205 157	4 527 986
	Provincial Government Grants	-	3 710
	Other Grant Providers	5 786 371	3 692 979
	Less: Unpaid Grants	418 786	831 297
		3 603 367	2 760 250
	National Government Grants	3 603 367	5 013
	Provincial Government Grants	-	2 755 237
	Total Conditional Grants and Receipts	2 601 790	1 767 736
	Balance previously reported		804 213
	Correction of error - Refer to note 39.02		963 523
			1 767 736

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

		2013	2012
		R	R
11	UNSPENT PUBLIC CONTRIBUTIONS		
	Mubesko Africa CC		-
	Total Unspent Public Contributions		-
	Reconciliation of public contributions		-
	Mubesko Africa CC		-
	Opening balance	-	-
	Contributions received	20 000	-
	Conditions met - Transferred to revenue	(20 000)	-
	Closing balance	-	-
	The municipality received a contribution from Mubesko Africa CC. This allocation was utilised to support the community in the municipal area.		
12	TAXES		
	VAT Payable	1 347 645	1 336 607
	VAT Receivable	(1 529 301)	(941 361)
		(181 657)	395 246
	Balance previously reported		398 374
	Correction of error - Refer to note 39.01		(3 129)
			395 246

VAT is payable/receivable on the cash basis.

		2013	2012
		R	R

13 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

CAPE AGULHAS MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13 PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2013

Reconciliation of Carrying Value

	Opening Balance R	Cost R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation and Impairment Losses R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings										
Land	73 261 055	631 867	5 443 000	68 449 923	10 173 494	214 209	235 699	10 152 004	58 297 918	
Buildings	49 731 200	182 788	3 523 000	46 390 988	10 173 494	214 209	235 699	10 152 004	46 390 988	
Infrastructure	23 529 855	449 080	1 920 000	22 058 935	-	-	-	-	11 906 931	
	161 878 035	26 928 096	-	188 886 131	33 958 943	3 976 909	-	-	37 935 852	
Roads and Storm water	52 392 684	7 973 447	-	60 366 131	6 872 165	1 365 063	-	-	8 237 228	
Electricity Network	38 114 078	1 900 554	-	40 014 632	8 632 106	887 258	-	-	52 128 903	
Sewerage Network	33 311 758	9 068 404	-	42 380 163	4 654 316	836 443	-	-	30 495 268	
Water Network	36 005 400	7 985 690	-	43 981 090	12 652 140	808 042	-	-	5 492 759	
Refuse Removal	2 054 116	-	-	2 054 116	1 148 216	78 103	-	-	30 530 908	
	7 444 729	2 343 939	-	9 788 669	784 481	218 571	-	-	1 003 052	
Community Assets	2 556 388	389 311	-	2 945 699	436 557	123 123	-	-	8 785 617	
Recreation Grounds	2 937 638	1 895 870	-	4 833 509	119 772	32 223	-	-	559 680	
Community Halls	1 038 044	-	-	1 038 044	64 863	34 462	-	-	151 975	
Libraries	365 119	58 758	-	423 877	78 805	12 103	-	-	99 325	
Parks & Gardens	97 995	-	-	97 995	8 828	980	-	-	90 908	
Clinics	419 545	-	-	419 545	75 472	15 400	-	-	332 970	
Sports facilities	30 000	-	-	30 000	185	300	-	-	9 808	
Cemetaries	-	-	-	-	-	-	-	-	88 187	
	2 223 264	43 969	529 787	1 737 447	1 304 163	166 360	246 222	1 224 302	513 115	
Lease Assets	517 787	-	517 787	-	233 233	10 054	243 287	-	-	
Leased Assets - Vehicles	1 705 478	43 969	12 000	1 737 447	1 070 930	156 307	2 935	1 224 302	513 145	
	32 799 996	3 254 374	1 280 659	34 763 711	7 262 951	2 013 108	639 503	8 636 556	26 127 155	
Other Assets	9 974 184	1 844 526	160 514	11 658 196	2 018 974	742 246	62 049	2 699 172	8 959 024	
Vehicles	3 971 566	315 733	307 051	3 980 248	1 146 500	301 401	185 087	1 292 814	2 717 434	
Tools & Equipment	1 234 667	301 668	24 258	1 512 077	182 077	65 764	4 699	243 142	1 268 935	
Furniture	2 980 698	-	-	2 980 698	564 483	56 564	-	-	2 359 652	
Special Vehicles	928 578	-	-	29 982	898 595	165 630	32 002	5 970	191 662	
Tables	554 407	-	-	44 993	509 414	172 653	37 269	19 003	706 933	
Chairs	1 849 076	188 083	-	266 682	1 770 477	574 710	167 448	147 397	318 495	
Office Equipment	2 984 690	580 939	328 090	3 237 538	819 023	283 645	175 315	594 761	1 175 715	
Computer Hardware	4 042 098	-	-	4 042 098	316 882	70 010	-	-	927 354	
Civic Land and Buildings	4 231 623	7 816	65 069	4 174 370	1 300 003	254 572	35 783	386 892	2 310 184	
Other	48 410	15 610	64 020	-	2 016	2 186	4 202	1 518 792	3 655 206	
Furniture and Office Equipment - CAMLEDA									2 655 578	
	277 607 080	33 202 246	7 263 446	303 545 880	53 484 032	6 589 158	1 121 424	58 951 766	244 594 114	

Included in PPE are assets with a total cost of R 6 682 515 which are carried at nil value.

Reconciliation of Carrying Value

Balance Previously reported	254
Correction of error - Refer to note 39 03	2
	<u>256</u>

Roads and Storm water
Electricity Network
Sewerage Network
Water Network

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
14 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	36 597 378	36 223 113
Acquisitions	-	426 000
Depreciation for the year	(2 730)	(2 734)
Disposals	(885 000)	(49 000)
Net Carrying amount at 30 June	35 709 648	36 597 378
Cost	35 768 800	36 653 800
Accumulated Depreciation	(59 152)	(56 422)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

15 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	113 806	99 347
Acquisitions	451 500	37 339
Acquisitions - Southernmost Development Agency (Soc) Ltd	-	6 082
Transfer to Southernmost Development Agency (Soc) Ltd	(5 282)	-
Amortisation	(39 593)	(28 963)
Balance previously reported		(32 769)
Correction of error - Refer to note 39.05		3 806
Net Carrying amount at 30 June	520 431	113 806
Cost	607 735	162 317
Accumulated Amortisation	(87 305)	(48 512)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

16 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July	9 262 274	1 249 084
Additions	9 998 781	8 041 310
Depreciation	(175 697)	(26 813)
Impairment	(20 157)	(1 308)
Net Carrying amount at 30 June	19 065 201	9 262 274
Cost	19 533 772	9 534 991
Accumulated Depreciation	(412 967)	(237 270)
Accumulated Impairments	(55 604)	(35 447)

17 NON-CURRENT INVESTMENTS

Unlisted

Municipal Entity - Southernmost Development Agency (Soc) Ltd	140 459	-
Cost	377 297	-
Provision for Impairment	(236 838)	-

The Municipality acquired a 100% shareholding in Southernmost Development Agency (Soc) Ltd on 23 October 2012. The initial purpose of the entity was to promote economic development in the municipal area. However, the municipality resolved on 28 May 2013 not to further its objective of economic development through this Municipal Entity.

Although a decision has been taken by Council to dissolve the entity, the administrative procedures and steps to de-register the legal structure was not completed on 30 June 2013.

A provision for Impairment was raised to reduce the carrying value of the investment in line with the net assets held by the entity on 30 June 2013

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
18	LONG-TERM RECEIVABLES		
	Loans to organisations - at amortised cost	17 232	23 170
	Individual housing loans	339 819	363 074
	Less: Current portion transferred to current receivables	357 052	386 244
	Loans to organisations - at amortised cost	(6 239)	(5 938)
	Total Long Term Receivables	(6 239)	(5 938)
		350 813	380 306
19	INVENTORY		
	Consumable Stores - Stationery and materials - At cost	878 650	951 432
	Water - At cost	30 030	21 993
	Total Inventory	908 680	973 426
	No inventory assets were pledged as security for liabilities.		
20	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Service Receivables		
	Electricity	18 647 806	16 496 681
	Balance previously reported	8 880 406	8 509 528
	Correction of error - Refer to note 39.06		
	Water	3 462 471	9 055 411 (545 884)
	Balance previously reported	2 938 942	
	Correction of error - Refer to note 39.06		
	Refuse	1 456 326	2 974 057 (35 115)
	Balance previously reported	1 404 767	
	Correction of error - Refer to note 39.06		
	Sewerage	949 392	1 467 777 (63 010)
	Balance previously reported	825 328	
	Correction of error - Refer to note 39.06		
	Other Services	3 899 212	851 249 (25 921)
		444 153	2 818 116
	Other Receivables		
	Asset Sales	484 853	564 013
	Other Arrears	(40 700)	
	Balance previously reported	484 853	
	Correction of error - Refer to note 39.06	79 160	
	Total Service Receivables	19 091 960	17 060 694
	Less: Allowance for Doubtful Debts	(6 391 371)	(5 061 200)
	Net Service Receivables	12 700 588	11 999 495
	Included in the outstanding balances are consumer debtors to the value of R 405 259 (2012 - R971 142), who have made arrangements to repay their outstanding debt over a re-negotiated period.		
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
	Ageing of Receivables from Exchange Transactions		
	(Electricity): Ageing		
	Current (0 - 30 days)	7 007 698	7 479 934
	31 - 60 Days	640 594	105 281
	61 - 90 Days	107 879	53 754
	+ 90 Days	1 124 235	870 559
	Total	8 880 406	8 509 528
	(Water): Ageing		
	Current (0 - 30 days)	1 511 416	1 730 672
	31 - 60 Days	283 849	115 692
	61 - 90 Days	148 246	77 943
	+ 90 Days	1 518 960	1 014 635
	Total	3 462 471	2 938 942

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	586 031	804 189
31 - 60 Days	129 641	53 110
61 - 90 Days	51 936	36 902
+ 90 Days	688 718	510 566
Total	1 456 326	1 404 767

	2013 R	2012 R
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	345 602	439 576
31 - 60 Days	86 964	33 431
61 - 90 Days	38 405	23 507
+ 90 Days	478 421	328 814
Total	949 392	825 328

	2013 R	2012 R
<u>(Other): Ageing</u>		
Current (0 - 30 days)	1 317 458	971 945
31 - 60 Days	301 242	48 676
61 - 90 Days	108 619	57 144
+ 90 Days	2 171 893	1 740 351
Total	3 899 212	2 818 116

	2013 R	2012 R
<u>(Total): Ageing</u>		
Current (0 - 30 days)	10 768 205	11 426 316
31 - 60 Days	1 442 290	356 191
61 - 90 Days	455 084	249 250
+ 90 Days	5 982 227	4 464 925
Total	18 647 806	16 496 681

Reconciliation of the doubtful debt provision

Balance at beginning of the year	5 061 200	4 356 258
Contributions to provision/(Reversal of provision)	1 624 572	945 711
Doubtful debts written off against provision	(294 401)	(240 769)
Balance at end of year		
	6 391 371	5 061 200

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	1 259 101	1 130 938
Water	1 296 322	999 705
Refuse	639 878	513 430
Sewerage	438 670	330 219
Other Services	2 272 548	1 602 055
Other Receivables	484 853	484 853
	6 391 371	5 061 200

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

21

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables	3 805 488	2 930 673
Rates	3 805 488	2 930 673
Other Receivables		
Staff	424 074	841 358
Trust Account - IDC Grant	5 288 418 786	10 062 831 297
Less: Allowance for Doubtful Debts	4 229 562 (1 838 674)	3 772 031 (1 136 945)
	2 390 888	2 635 087

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Ageing of Receivables from Non-Exchange Transactions		
<i>(Rates): Ageing</i>		
Current (0 - 30 days)	1 408 369	1 668 626
31 - 60 Days	220 898	57 817
61 - 90 Days	89 383	48 432
+ 90 Days	2 086 838	1 155 798
Total	3 805 488	2 930 673

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of receivables approximates their carrying amounts.

Reconciliation of the doubtful debt provision

Balance at beginning of the year	1 136 945	1 080 472
Contributions to provision/(Reversal of provision)	702 706	62 368
Doubtful debts written off against provision	(976)	(5 895)
Balance at end of year		
	1 136 945	1 136 945

The entire provision for bad debts relates to the outstanding rates balance.

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

22 OPERATING LEASE ARRANGEMENTS

22.1 The Municipality as Lessor

Balance on 1 July	48 588	20 259
Movement in lease asset for the year	15 958	28 329
Balance on 30 June		
	64 545	48 588

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	344 676	391 113
1 to 5 Years	673 473	848 203
More than 5 Years	120 969	147 559
Total Operating Lease Arrangements		
	1 139 119	1 386 875

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2021.

23 CASH AND CASH EQUIVALENTS

Assets

Primary Bank Account	24 549 700	26 572 061
Cash Floats	12 700	12 700
Total Cash and Cash Equivalents - Assets		
	24 562 400	26 584 761

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

All investments were withdrawn on 30 June. Cash and cash equivalents are held to fund the following commitments:

Unspent Conditional Grants	6 205 157	4 527 986
Capital Replacement Reserve	16 500 000	20 500 000
Valuation Roll Reserve	2 000 000	1 500 000
24 705 157		
	26 527 986	

A bank overdraft facility of R2 000 000 exists at ABSA.

Guarantees are held at ABSA and Nedbank in the name of the following entities :

Building of dam (Nedbank)	7 000	7 000
The Post Office	50 000	50 000
57 000		
	57 000	

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The municipality has the following bank accounts:

Current Accounts

	2013 R	2012 R
Bredasdorp ABSA - Account number 40 5883 2586 (Primary Bank Account)	24 549 700	26 572 061
Bredasdorp ABSA - Account number 40 5883 2586 (Primary Bank Account)	24 549 700	26 572 061
Cash book balance at beginning of year	26 572 061	33 370 275
Cash book balance at end of year	24 549 700	26 572 061
Bank statement balance at beginning of year	24 827 306	33 638 106
Bank statement balance at end of year	21 931 361	24 827 306

24

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State	34 888 980	32 553 543
Less: Rebates	34 888 980	32 553 543
	(125 848)	(126 376)
Total Assessment Rates	34 763 132	32 427 167

Valuations

Rateable Land and Buildings

Residential	6 316 469 100	6 313 227 100
Business & Commercial	532 867 400	538 629 400
Public benefit Organizations	60 837 000	60 837 000
State-owned	177 251 000	177 251 000
Agricultural	1 263 773 600	1 263 773 600
Other	436 869 150	434 500 150
Total Assessment Rates	8 788 067 250	8 788 218 250

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted.

Rebates on Income - Basic Rate:

Single Tariff (Excluding Agricultural)	0.004715 c / R	0.004411 c / R
Agricultural Land	0.001179 c / R	0.001103 c / R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share

Conditional Grants

Grants and donations
Subsidies

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

16 877 000	14 805 000
16 877 000	14 805 000
69 723 439	50 819 109
66 478 118	47 785 559
3 245 321	3 033 551
86 600 439	65 624 109
23 712 195	7 746 917
62 888 244	57 877 193
86 600 439	65 624 109

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

Executive and Council

Corporate Services

Community and Social Services

Road Transport

16 877 000	14 805 000
62 377 406	44 486 768
321 361	298 611
3 779 351	3 000 180
3 245 321	3 033 551
86 600 439	65 624 109

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The municipality does not expect any significant changes to the level of grants.		
25.01 Equitable share		
Opening balance		
Grants received	16 877 000	14 805 000
Conditions met - Operating	(16 877 000)	(14 805 000)
Conditions still to be met		
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
25.02 Local Government Financial Management Grant (FMG)		
Opening balance	(1 212)	433 856
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 248 788)	(1 677 480)
Conditions met - Capital	-	(7 588)
Conditions still to be met/(Grant expenditure to be recovered)	-	(1 212)
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
25.03 Municipal Systems Improvement Grant (MSIG)		
Opening balance	3 710	31 395
Grants received	800 000	790 000
Conditions met - Operating	(132 704)	(145 163)
Conditions met - Capital	(671 006)	(672 522)
Conditions still to be met	-	3 710
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
25.04 Municipal Infrastructure Grant (MIG)		
Opening balance	-	(299 852)
Grants received	10 284 000	8 479 000
Conditions met - Operating	(1 705 121)	(1 379 859)
Conditions met - Capital	(8 578 879)	(6 799 290)
Grant expenditure to be recovered	-	-
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
25.05 Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	(3 801)	-
Grants received	5 557 971	250 000
Conditions met - Operating	(1 081 840)	(253 801)
Conditions met - Capital	(7 834 832)	-
Grant expenditure to be recovered	(3 362 502)	(3 801)
The grant was used to upgrade infrastructure in the municipal area.		
25.05 Housing Grants		
Opening balance	(445 832)	1 143 734
Grants received	40 972 562	31 308 792
Transfers	425 158	-
Conditions met - Operating	(34 207 782)	(32 898 358)
Conditions met - Capital	(2 780 572)	-
Conditions still to be met/(Grant expenditure to be recovered)	3 963 535	(445 832)
Housing grants was utilised for the development of erven and the erection of top structures.		
25.06 Proclaimed road subsidy		
Opening balance	(1 330 079)	(3 036 529)
Grants received	4 575 400	4 740 000
Conditions met - Operating	(3 245 321)	(3 033 551)
Grant expenditure to be recovered	-	(1 330 079)
The subsidy is utilised to upgrade the provincial road network in the municipal area.		

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
25.07 Expanded Public Works Program (EPWP)		
Opening balance		
Grants received	1 000 000	429 000
Conditions met - Operating	(293 694)	(300 894)
Conditions met - Capital	(706 306)	(128 106)
Conditions still to be met		
This program is aimed at providing poverty en income relief through the creation of temporary work opportunities.		
25.08 IDC - Pre Establishment Grant		
Opening balance	831 297	
Grants received	-	1 152 000
Interest Received	25 199	40 476
Conditions met - Operating	(109 902)	(306 688)
Conditions met - Capital	(327 807)	(54 492)
Conditions still to be met	418 786	831 297
This grant is utilised to fund the pre-establishment and start-up phase of the municipal development agency, Southernmost Development Agency (Soc) Ltd.		
25.09 National Electrification Programme (INEP)		
Opening balance		
Grants received	1 000 000	
Transfers	(425 158)	
Conditions met - Capital	(815 707)	
Conditions still to be met	(240 866)	
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
25.10 Other Grants		
Opening balance	2 713 652	159 360
Grants received	5 092 361	5 715 611
Conditions met - Operating	(3 986 092)	(3 076 398)
Conditions met - Capital	(1 997 085)	(84 920)
Conditions still to be met	1 822 836	2 713 652
Various grants were received from other spheres of government (e.g. Library fund and Skills Development)		
25.11 Total Grants		
Opening balance	1 767 736	(1 568 034)
Grants received	87 409 293	68 919 403
Interest Received	25 199	40 476
Conditions met - Operating	(62 888 244)	(57 877 193)
Conditions met - Capital	(23 712 195)	(7 746 917)
Conditions still to be met/(Grant expenditure to be recovered)	2 601 790	1 767 736
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	6 205 157	4 527 986
Unpaid Conditional Government Grants and Receipts	(3 603 367)	(2 760 250)
	2 601 790	1 767 736
26 SERVICE CHARGES		
Electricity	65 091 523	60 022 468
Water	16 175 128	14 764 642
Refuse removal	9 534 228	8 664 293
Sewerage and Sanitation Charges	6 335 557	5 434 250
Less: Rebates	97 136 437	88 885 652
	(5 289 415)	(4 946 846)
Total Service Charges	91 847 022	83 938 807
27 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest earned on service accounts	536 942	440 187
Penalty interest imposed on Property Rates	99 929	73 989
Total Interest Earned	636 871	514 177

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
28 OTHER INCOME		
Connections - Electricity	538 553	467 437
Connections - Water	199 388	211 354
Building Plan Fees	429 064	468 748
Garden Refuse Removal	243 707	281 845
Sundry Income	822 441	1 054 685
Total Other Income	2 233 153	2 484 069

Other income represents sundry income such as administration income, building plans and legal income.

30 EMPLOYEE RELATED COSTS

Long Service Awards	658 861	603 307
Post Retirement Medical	3 204 815	2 906 819
Employee related costs - Salaries and Wages	45 834 255	41 961 734
Group Life Insurance	821 471	793 341
Housing Subsidy	384 259	374 856
Leave Reserve Fund	1 391 434	586 776
Overtime	2 379 686	2 044 020
Employee related costs - Contributions for UIF, pensions and medical aids	8 447 929	8 082 970
Standby Allowances	1 393 947	1 188 886
Travel, motor car, telephone, assistance and other allowances	3 861 285	3 444 845
Total Employee Related Costs	68 377 942	61 987 554

KEY MANAGEMENT PERSONNEL

The Municipal Manager, the Chief Financial Officer, the Manager: Corporate Services, the Manager: Community Services and the Manager: Civil Engineering Services are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - R Stevens

Annual Remuneration	829 113	770 431
Performance Bonuses	137 998	130 089
Car Allowance	77 984	93 763
Subsistence and Travel	1 491	9 369
SALGA contribution	71	49
Contribution to Group Insurance	20 894	19 176
Contributions to UIF, Medical and Pension Funds	186 947	174 673
Total	1 254 498	1 197 550

Remuneration of the Manager: Community Services - J Marthinus

Annual Remuneration	-	498 268
Performance Bonuses	-	95 860
Travelling Allowance	-	70 146
Subsistence and Travel	-	1 391
SALGA contribution	-	45
Contribution to Group Insurance	-	12 388
Contributions to UIF, Medical and Pension Funds	-	120 005
Total	-	798 105

Remuneration of the Manager: Corporate Services - S Ngwevu

Annual Remuneration	580 026	536 893
Performance Bonuses	79 898	61 624
Travelling Allowance	89 090	85 210
Subsistence and Travel	37 393	3 390
SALGA contribution	71	49
Contribution to Group Insurance	14 617	13 364
Contributions to UIF, Medical and Pension Funds	124 523	119 460
Total	925 618	819 990

Remuneration of the Manager: Civil Engineering Services - N Kotze

Annual Remuneration	587 208	544 076
Performance Bonuses	101 688	95 860
Travelling Allowance	95 306	89 350
Subsistence and Travel	5 612	4 437
SALGA contribution	71	49
Contribution to Group Insurance	14 798	13 543
Contributions to UIF, Medical and Pension Funds	149 174	139 022
Total	953 858	886 336

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<i>Remuneration of the Chief Financial Officer - H Schlebusch</i>		
Annual Remuneration	600 362	557 235
Performance Bonuses	101 688	95 860
Car Allowance	54 947	59 241
Subsistence and Travel	15 017	12 912
SALGA contribution	71	49
Contribution to Group Insurance	15 129	13 870
Contributions to UIF, Medical and Pension Funds	127 953	119 043
Total	915 168	858 211

31 REMUNERATION OF COUNCILLORS

Executive Mayor	R G Mitchell	624 472	590 233
Executive Deputy Mayor	D Jantjies	503 552	476 750
Speaker	E C Marthinus	503 552	476 914
Councillor - Full time	M R Mokotwana	476 503	447 485
Councillor - Part time	P N Atyhosi	193 776	183 168
Councillor - Part time	J G A Niewoudt	193 776	183 168
Councillor - Part time	G D Burger	193 776	183 168
Councillor - Part time	J A Coetzee	193 776	183 168
Councillor - Part time	W J October	193 776	183 168
Total Councillors' Remuneration		3 076 960	2 907 221

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and one mayoral committee member are full-time. They are provided with secretarial support and an office each at the cost of the Council.

32 DEBT IMPAIRMENT

Receivables from exchange transactions - Refer to note 20	1 624 572	945 711
Receivables from non-exchange transactions - Refer to note 21	702 706	62 368
Total Contribution to Impairment Provision/(Reversal of provision)	2 327 278	1 008 078
Less VAT included in contribution for the year	(148 168)	(4 220)
Debt impairment recognised in statement of financial performance	2 179 110	1 003 858

33 DEPRECIATION AND AMORTISATION

Property Plant & Equipment	6 589 158	6 035 124
Landfill Sites	175 697	27 371
Investment Property	2 730	2 734
Intangible Assets	39 593	28 963
	6 807 178	6 094 192

34 IMPAIRMENTS

Investment in Municipal Entity - Southernmost Development Agency (Soc) Ltd	236 838	-
Landfill Sites	20 157	1 308
	256 995	1 308

35 FINANCE CHARGES

Long-term Liabilities	118 651	145 430
Finance leases	44 329	61 945
Landfill Sites	500 078	143 220
Total finance charges	663 058	350 594

36 BULK PURCHASES

Electricity	48 523 300	44 056 532
Water	520 831	607 031
Total Bulk Purchases	49 044 131	44 663 562

37 OPERATING GRANT EXPENDITURE

Proclaimed Roads	3 812 967	3 283 022
Financial and Systems Management	1 285 756	1 696 066
Housing	34 207 782	31 380 214
CAMLEDA Pre-Establishment Costs	99 151	264 358
Other	592 355	666 993
Total Operating Grant Expenditure	39 998 012	37 290 653

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38 **GENERAL EXPENSES**

	2013 R	2012 R
Advertising	290 569	236 947
Advertising & Tourism	706 200	660 000
Audit Committee Allowances	68 726	58 496
Audit fees	1 680 494	1 406 963
Bank Charges	636 706	480 726
Chemicals	1 060 602	810 945
Cleaning material	229 906	158 803
Cleaning projects	52 274	281 914
Cleaning services & washing	59 428	53 695
Computer Services & License fees	1 255 732	1 084 832
Contributions - Pensioners	170 394	70 715
Donations	104 960	85 500
Entertainment costs	162 698	122 447
Free Basic Electricity and Indigent Subsidy	506 722	613 081
Fuel Cost	2 595 046	2 351 272
Holiday Programmes & Entertainment	320 397	213 072
Housing Development Fund	597 000	458 224
Human Development	217 883	368 463
Insurance	419 679	400 958
Legal fees	1 350 806	1 372 150
License fees - Radios	28 649	31 030
License fees - Vehicles	100 503	93 085
Local Economic Development	118 211	190 281
Oil & Lubricants	52 977	49 222
Postage	468 472	410 814
Printing & Stationery	843 382	712 785
Professional & Consultancy fees	1 038 749	1 622 269
Protective Clothing	193 555	218 819
Public Communication	444 144	234 153
Recruiting Costs	146 207	95 306
Refuse Bags	395 507	444 558
Rental Paid	455 685	949 162
Security Services	520 360	453 245
Service Charges	597 495	170 198
Service connections - new	279 017	161 100
Social assistance	26 045	14 246
Socio-Economic Development	204 363	256 796
Structure - & Zoning planning	-	142 421
Subscriptions - Organisations	573 264	460 543
Subsistence & Travel Allowances	442 797	434 399
Telephone costs	1 335 337	1 549 044
Training & Development - Staff	354 786	486 578
Training Levy	547 874	489 763
Transfer costs	-	56 239
Union Representative	16 289	26 405
Valuation Costs	439 855	320 591
Ward Committees	507 694	298 709
Workmens Compensation Contributions	337 170	367 389
Other	1 719 082	1 249 065
General Expenses	24 673 689	23 277 413

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

39 CORRECTION OF ERROR IN TERMS OF GRAP 3

2012
R

39.01 TAXES

Balance previously reported

VAT incorrectly claimed on expenditure relating to fines income - Refer to note 39.07
VAT incorrectly not allocated to VAT suspense vote (Camleda Pre Establishment Costs) - Refer to note 40

398 374
39 202
(42 330)
395 246

39.02 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Balance previously reported

Irrecoverable MIG grant expenditure incorrectly recognised as revenue during 2011/2012 - Refer to note 40

804 213
963 523
1 767 736

39.03 PROPERTY PLANT AND EQUIPMENT

Balance previously reported

Infrastructure costs incorrectly not capitalised in prior years (Services relating to RDP housing)

221 271 693
3 332 605

Effect on 30 June 2011 (Expenditure incurred during 2010/2011) - Refer to note 39.07
Effect on 30 June 2012 (Expenditure incurred during 2011/2012) - Refer to note 40
Effect on Accumulated Depreciation up to 30 June 2011 - Refer to note 39.07
Effect on Depreciation during 2011/2012 - Refer to note 39.07

1 786 213
1 638 946
(44 430)
(48 123)

Sewerage Infrastructure incorrectly capitalised as part of Water Infrastructure

Effect on Infrastructure Water
Effect on Infrastructure Sewerage

(60 788)
60 788

49 813

Correction of depreciation calculation up to 30 June 2011 - Refer to note 39.07

Effect on Infrastructure Water
Effect on Infrastructure Sewerage
Effect on Other Assets (Other)
Effect on Other Assets (Furniture and Fittings)

104 513
(55 571)
991
(120)

(20 188)

Correction of depreciation calculation up to 30 June 2012 - Refer to note 40

Effect on Infrastructure Water
Effect on Infrastructure Sewerage
Effect on Infrastructure Roads and Stormwater

(727)
(88)
(19 373)

219 037

First time recognition of loose assets on 30 June 2007 - Refer to note 39.07

Effect on Chairs
Effect on Computer Hardware
Effect on Furniture
Effect on Office Equipment
Effect on Tables
Effect on Tools & Equipment
Effect on Vehicles

2 646
82 184
2 623
20 307
6 750
9 026
95 500

(74 742)

Correction of Accumulated depreciation on loose assets recognised for the first time on 30 June 2011 - Refer to note 39.07

Effect on Chairs
Effect on Computer Hardware
Effect on Furniture
Effect on Office Equipment
Effect on Tables
Effect on Tools & Equipment
Effect on Vehicles

(1 059)
(32 874)
(1 049)
(4 061)
(1 350)
(3 610)
(30 739)

(18 737)

Correction of depreciation on loose assets recognised for the first time on 30 June 2012 - Refer to note 40

Effect on Chairs
Effect on Computer Hardware
Effect on Furniture
Effect on Office Equipment
Effect on Tables
Effect on Tools & Equipment
Effect on Vehicles

(265)
(8 241)
(263)
(1 018)
(338)
(905)
(7 706)

(184 043)

Remove land and buildings sold during 2011/2012 - Refer to note 40

Effect on Land (Cost)
Effect on Buildings (Cost)
Effect on Accumulated Depreciation up to disposal date
Effect on Depreciation during 2011/2012

(38 000)
(204 000)
57 093
864

IT network incorrectly capitalised as part of Infrastructure Electricity

Effect on Other Assets (Computer Hardware)
Effect on Infrastructure Electricity

300 000
(300 000)

Electrical repairs and maintenance costs incorrectly capitalised on 30 June 2012 - Refer to note 40
Maintenance costs relating to streets incorrectly capitalised on 30 June 2012 - Refer to note 40

(225 353)
(103 538)
(123 500)

224 123 048

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2012

R

39.04 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported

Correction of retention balances on 30 June 2011 - Refer to note 39.07
 Recognise builders deposits outstanding for periods in excess of 3 years as revenue - Refer to note 40

6 953 737
 (3 073)
 (359 650)
6 591 014

39.05 INTANGIBLE ASSETS

Balance previously reported

Correction of amortisation during 2011/2012 - Refer to note 40

110 000
 3 806
113 806

39.06 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported

Correction of Departmental revenue and expenses incorrectly accounted for - Refer to note 40

12 655 354
 (669 930)

Effect on Electricity
 Effect on Water
 Effect on Refuse
 Effect on Sewerage

(545 884)
 (35 115)
 (63 010)
 (25 921)
 14 071
 1 908
 12 163
11 999 495

Recognise receivable relating to money to be recovered from Cllr Mokotwana

Effect on 30 June 2011 - Refer to note 39.07
 Effect on 30 June 2012 - Refer to note 40

39.07 ACCUMULATED SURPLUS

Infrastructure costs incorrectly not capitalised in prior years (Services relating to RDP housing) - Refer to note 39.03

1 741 783

Effect on Cost
 Effect on Accumulated depreciation

1 786 213
 (44 430)
 (39 202)
 3 073
 1 908
 49 813
 219 037
 (74 742)
 (166 875)
1 734 795

VAT incorrectly claimed on expenditure relating to fines income - Refer to note 39.01

Correction of retention balances on 30 June 2011 - Refer to note 39.04

Recognise receivable relating to money to be recovered from Cllr Mokotwana - Refer to note 39.06

Correction of depreciation calculation up to 30 June 2011 - Refer to note 39.03

First time recognition of loose assets on 30 June 2007 - Refer to note 39.03

Correction of Accumulated depreciation on loose assets recognised for the first time on 30 June 2011 - Refer to note 39.03

Correction of Departmental revenue and expenses incorrectly accounted for - Refer to note 40

40 CHANGES IN STATEMENT OF FINANCIAL PERFORMANCE IN TERMS OF GRAP 3

Balance previously reported

Infrastructure costs incorrectly not capitalised in prior years (Services relating to RDP housing). Previously recognised as part of operating grant expenditure - Refer to note 39.03

7 207 188

Correction of Depreciation charges during 2011/2012 on RDP infrastructure previously not recognised - Refer to note 39.03
 Irrecoverable MIG grant expenditure incorrectly recognised as revenue during 2011/2012 - Refer to note 39.02

1 638 946
 (48 123)
 (963 523)

Effect on Government Grants and Subsidies - Capital
 Effect on Government Grants and Subsidies - Operating

(845 196)
 (118 327)
 12 163
 42 330
 (20 188)
 (184 043)

Recognise receivable relating to money to be recovered from Cllr Mokotwana - Refer to note 39.06

VAT incorrectly not allocated to VAT suspense vote (Camleda Pre Establishment Costs) - Refer to note 39.01

Correction of depreciation calculation up to 30 June 2012 - Refer to note 39.03

Correction of properties sold incorrectly not removed from fixed asset register - Refer to note

Effect on Loss on Disposal of Property, Plant and Equipment
 Effect on Depreciation

(184 907)
 864
 (18 737)
 3 806
 (225 353)
 (103 538)

Correction of depreciation on loose assets recognised for the first time on 30 June 2012 - Refer to note 39.03

Correction of amortisation during 2011/2012 - Refer to note 39.05

Electrical repairs and maintenance costs incorrectly capitalised on 30 June 2012 - Refer to note 39.03

Maintenance costs relating to streets incorrectly capitalised on 30 June 2012 - Refer to note 39.03

Top Structures incorrectly capitalised on 30 June 2012 - Refer to note 39.03

Recognise builders deposits outstanding for periods in excess of 3 years as revenue - Refer to note 39.04

Correction of Departmental revenue and expenses incorrectly accounted for

Effect on Receivables from Exchange Transactions - Refer to note 39.06

Effect on Service Charges (Rebates)
 Effect on General Expenses (Service Charges)

(669 930)
 (106 327)
 (563 603)

Effect on Accumulated surplus on 30 June 2011 - Refer to note 39.07

Effect on Service Charges (Rebates)
 Effect on General Expenses (Service Charges)

166 875
 (12 073)
 154 802
 (4 118 382)

Effect on Service Charges
 Effect on Service Charges (Rebates)
 Effect on General Expenses (Service Charges)

1 127 971
 2 990 411
7 074 023

Total

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
41	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	12 439 871	7 074 023
	Adjustments for:		
	Depreciation and amortisation	6 807 178	6 094 192
	Impairments	256 995	1 308
	(Gain)/Loss on disposal of property, plant and equipment	6 802 346	1 375 644
	Contribution from/to employee benefits - non-current	3 863 676	3 510 126
	Contribution from/to employee benefits - non-current - expenditure incurred	(917 280)	(791 770)
	Contribution from/to employee benefits - non-current - actuarial losses	2 022 024	(64 811)
	Contribution to employee benefits - current	1 952 732	1 131 527
	Contribution to employee benefits - current - expenditure incurred	(921 458)	(1 088 839)
	Contribution to provisions - non-current	500 078	143 220
	Contribution to provisions - bad debt	2 179 110	1 003 858
	Bad debts written off	(295 377)	(246 664)
	Operating lease income accrued	(15 958)	(28 329)
	Grants Received	87 409 293	68 919 403
	Grant Expenditure and Transfers	(86 600 439)	(65 624 109)
	Interest Received (Directly attributable to grants)	25 199	40 476
	Operating Surplus/(Deficit) before changes in working capital	35 507 993	21 449 257
	Changes in working capital	(3 671 635)	(4 746 515)
	Decrease in Payables from exchange transactions	(818 850)	(525 003)
	Increase/(Decrease) in Taxes	(576 903)	495 724
	(Increase)/Decrease in Inventory	64 746	(122 363)
	Increase in Receivables from exchange and non-exchange transactions	(2 340 628)	(4 594 873)
	Cash generated by operations	31 836 357	16 702 742
42	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Cash Floats - Note 23	12 700	12 700
	Bank - Note 23	24 549 700	26 572 061
	Total cash and cash equivalents	24 562 400	26 584 761
43	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 42	24 562 400	26 584 761
	Cash held in Attorneys' Trust Account - Note 21	418 786	831 297
	Less:		
	Unspent Committed Conditional Grants - Note 10	24 981 187	27 416 057
	VAT - Note 12	6 205 157	4 923 232
	Net cash resources available for internal distribution	6 205 157	4 527 986
	Allocated to:		
	Capital Replacement Reserve	18 776 029	22 492 825
	Valuation Roll Reserve	-	395 246
	Resources available for working capital requirements	16 500 000	20 500 000
		2 000 000	1 500 000
		276 029	492 826
44	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 3	1 065 850	1 412 269
	Used to finance property, plant and equipment - at cost	(1 065 850)	(1 412 269)
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-
45	BUDGET COMPARISONS		
	In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 7 to 12.		

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	10 367 490	4 922 780
Unauthorised expenditure current year - capital	15 297 854	9 132 452
Unauthorised expenditure current year - operating	10 254 875	1 235 038
Approved by Council or condoned	(10 367 490)	(4 922 780)
Unauthorised expenditure awaiting authorisation	25 552 730	10 367 490

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget on votes 2012/13	<i>None</i>

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive and Council	48 409 661	54 527 993	(6 118 332)	-
Budget and Treasury Office	24 826 839	21 294 022	3 532 817	3 532 817
Corporate Services	20 380 295	14 863 124	5 517 171	5 517 171
Community and Social Services	10 098 445	12 740 237	(2 641 792)	-
Sport and Recreation	6 702 897	8 092 815	(1 389 918)	-
Public Safety	5 427 212	5 981 721	(554 509)	-
Road Transport	13 381 679	14 315 267	(933 588)	-
Electricity	56 684 420	55 479 532	1 204 888	1 204 888
Water	10 798 019	11 515 163	(717 144)	-
Waste Water Management	6 095 156	6 948 105	(852 949)	-
Waste Management	8 421 362	8 859 901	(438 539)	-
Environmental Protection	382 328	509 887	(127 559)	-
Other	2 116 679	2 204 504	(87 825)	-
	213 724 991	217 332 271	(3 607 280)	10 254 875
Expenditure per approved budget		223 732 271		
Indigent Subsidies recognised as revenue foregone		(6 400 000)		
		217 332 271		

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Unauthorised expenditure current year - capital				
Executive and Council	14 145	15 000	(855)	-
Budget and Treasury Office	627 941	410 000	217 941	217 941
Corporate Services	295 765	266 500	29 265	29 265
Community and Social Services	2 589 465	2 896 578	(307 113)	-
Sport and Recreation	1 087 964	1 365 000	(277 036)	-
Public Safety	513 276	510 000	3 276	3 276
Road Transport	8 358 163	6 636 988	1 721 175	1 721 175
Electricity	1 927 344	2 434 247	(506 903)	-
Water	8 351 828	8 913 889	(562 061)	-
Waste Water Management	9 113 372	5 525 439	3 587 933	3 587 933
Waste Management	10 773 265	1 035 000	9 738 265	9 738 265
	43 652 527	30 008 641	13 643 886	15 297 854

46.2 Fruitless and wasteful expenditure

None

46.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	2 037 225	1 505 562
Irregular expenditure current year	-	2 037 225
Condoned or written off by Council	(2 037 225)	(1 505 562)
Irregular expenditure awaiting condonement	-	2 037 225
Irregular expenditure awaiting condonement by National Treasury	(2 037 225)	(1 505 562)

Incident	Disciplinary steps/criminal proceedings
<i>Unsupported deviations</i>	<i>None</i>

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46.4 Material Losses

Electricity distribution losses		
- Units purchased (Kwh)	70 477 557	71 350 734
- Units lost during distribution (Kwh)	6 999 175	6 448 709
- Percentage lost during distribution	9.99%	9.04%
- Rand Value of Loss	3 163 464	2 772 945

Water distribution losses		
- Kilo litres purified	2 363 816	2 208 846
- Kilo litres lost during distribution	491 619	373 115
- Percentage lost during distribution	20.80%	16.89%
- Rand Value of Loss	604 691	392 072

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

2013
R

2012
R

47.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	545 408	446 236
Amount paid - current year	(545 408)	(446 236)

Balance unpaid (Included in creditors)	-	-
---	----------	----------

47.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	1 984 489	1 662 434
Current year audit fee	1 915 763	1 603 938
External Audit - Auditor-General Audit Committee	68 726	58 496
Amount paid - current year	(1 984 489)	(1 662 434)

Balance unpaid	-	-
-----------------------	----------	----------

47.3 VAT - [MFMA 125 (1)(c)]

VAT	181 657	(395 246)
-----	---------	-----------

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]

Current year payroll deductions and Council Contributions	8 621 751	7 870 010
Amount paid - current year	(8 621 751)	(7 870 010)
Balance unpaid	-	-

47.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Current year payroll deductions and Council Contributions	14 200 324	13 494 239
Amount paid - current year	(14 200 324)	(13 494 239)
Balance unpaid	-	-

47.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2013:

2013
R

Outstanding more
than 90 days

None

47.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

Non Compliance per financial category		
- Less than R 30 000	1 261 135	1 418 163
- Between R 30 000 and R 200 000	1 432 064	2 795 772
- More than R 200 000	1 613 636	864 316
	4 306 835	5 078 251

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

47.8 Other non-compliance [MFMA 125(2)(e)]

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by the Regulations on Minimum Competency Levels regulation 14(2)(a).

The draft annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Regulations on Minimum Competency Levels regulation 14(2)(b).

47.9 Trading with employees in service of the state (SCM 44)

During the year under review, the municipality engaged with the following employees in service of the state.

Name (State institution)	Supplier name	2013	2012
Joylene Abrahams (Western Cape: Education)	Khubeka Construction CC (SCM38/ 2011/12)	6 214 596	

48 CAPITAL COMMITMENTS

Commitments In respect of capital expenditure:

Approved and contracted for:

Thusong Centre
Upgrading of Droe Rivier
Bulk Water Line Between Struisbaai and L'Agulhas
Kleinbegin Storm Water
WWTW Struisbaai & Sewerage Scheme
1 ML Reservoir (Napier)
1 ML Reservoir (Struisbaai)

10 042 575	13 326 316
2 018 699	-
160 512	-
-	2 707 349
-	536 988
7 863 364	4 875 439
-	1 825 049
-	3 381 491
10 042 575	13 326 316

Total

This expenditure will be financed from:

Government Grants

10 042 575	13 326 316
10 042 575	13 326 316

49 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2013	2012
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2012 - 0.5%) Increase in interest rates	19 361	70 554
0.5% (2012 - 0.5%) Decrease in interest rates	(9 680)	(70 554)

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2013	2013	2012	2012
	%	R	%	R
Rates	22.34%	1 838 674	18.34%	1 136 945
Other	77.66%	6 391 371	81.66%	5 061 200
	<hr/> 100.00%	<hr/> 8 230 046	<hr/> 100.00%	<hr/> 6 198 144

The entity only deposits cash with major banks with high quality credit standing. These banks are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2013	2012
	R	R
Long term receivables	357 052	386 244
Receivables from exchange transactions	12 700 588	11 999 495
Receivables from non-exchange transactions	424 074	841 358
Cash and Cash Equivalents	24 562 400	26 584 761
Unpaid conditional grants and subsidies	3 603 367	2 760 250
	<hr/> 41 647 482	<hr/> 42 572 108

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Annuity Loans	238 724	715 942	-	-
Capital repayments	138 864	559 856	-	-
Interest	99 860	156 086	-	-
Long Term liabilities - Finance Leases	296 832	94 813	-	-
Capital repayments	275 098	92 031	-	-
Interest	21 733	2 781	-	-
Provisions - Landfill Sites	310 511	-	-	219 151 983
Capital repayments	310 511	-	-	21 237 284
Interest	-	-	-	197 914 700
Payables from exchange transactions	4 259 119	-	-	-
Unspent conditional government grants and receipts	6 205 157	-	-	-
	11 310 343	810 755	-	219 151 983
2012				
Long Term liabilities - Annuity Loans	238 724	954 478	-	-
Capital repayments	120 178	698 615	-	-
Interest	118 546	255 863	-	-
Long Term liabilities - Finance Leases	303 541	352 780	-	-
Capital repayments	261 487	331 989	-	-
Interest	42 054	20 791	-	-
Provisions - Landfill Sites	297 066	-	-	140 485 273
Capital repayments	297 066	-	-	10 751 870
Interest	-	-	-	129 733 403
Payables from exchange transactions	5 359 874	-	-	-
Unspent conditional government grants and receipts	4 527 986	-	-	-
	10 727 190	1 307 258	-	140 485 273

50 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

50.1	Financial Assets	Classification		
	Long-term Receivables			
	Loans to organisations - at amortised cost	At amortised cost	10 994	17 232
	Individual housing loans	At amortised cost	339 819	363 074
	Non-Current Investments			
	Investment in Municipal Entity	At amortised cost	140 459	-
	Consumer and other Debtors			
	Receivables from exchange transactions	At amortised cost	12 700 588	11 999 495
	Receivables from non-exchange transactions	At amortised cost	424 074	841 358
	Other Debtors			
	Unpaid government grants	At amortised cost	3 603 367	2 760 250
	Current Portion of Long-term Receivables			
	Loans to organisations - at amortised cost	At amortised cost	6 239	5 938
	Bank Balances and Cash			
	Bank Balances	At amortised cost	24 549 700	26 572 061
	Cash Floats and Advances	At amortised cost	12 700	12 700
	SUMMARY OF FINANCIAL ASSETS			
	At amortised cost		41 787 941	42 572 108

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

50.2 <u>Financial Liability</u>	<u>Classification</u>	2013 R	2012 R
Non-Current Liabilities			
Annuity Loans	At amortised cost	559 856	698 615
Capitalised Lease Liability	At amortised cost	92 031	331 989
Non-Current Provisions - Landfill Sites	At amortised cost	21 237 284	10 751 870
Current Provisions			
Current Provisions - Landfill Sites	At amortised cost	310 511	297 066
Payables from exchange transactions			
Trade creditors	At amortised cost	1 861 038	3 476 767
Retentions	At amortised cost	1 598 972	994 210
Other Creditors	At amortised cost	429 545	440 516
Deposits	At amortised cost	369 563	448 381
Unspent Conditional Grants, Receipts and other contributions			
Other Spheres of Government	At amortised cost	6 205 157	4 527 986
Current Portion of Long-term Liabilities			
Annuity Loans	At amortised cost	138 864	120 178
Capitalised Lease Liability	At amortised cost	275 098	261 487
		33 077 921	22 349 065
SUMMARY OF FINANCIAL LIABILITY			
At amortised cost		33 077 921	22 349 065

51 EVENTS AFTER THE REPORTING DATE

The contract of the Municipal Manager, Mr R Stevens, expired on 31 July 2013 and was not renewed. A new Municipal Manager was appointed with effect on 1 September 2013.

52 IN-KIND DONATIONS AND ASSISTANCE

The municipality received a public contribution during the year under review. Refer to note 11

53 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

54 CONTINGENT LIABILITY

Council do have the following contingent liabilities at the end of the financial year 2012/13

54.01 The Council and DA Civils CC is still in the mediation-/arbitration process flowing from a claim of R3 210 179 (Vat Excl.) that was lodged by the Contractor against the Council due to solid rock digging in accordance with contract DCR 0041. The Contractor also claim interest from September 2004. The total approved amount was R1 064 239 (Vat excl.) from which R825 652 already paid to the Contractor.

Council apposes the claim and due to potential legal cost implication, the mediation-/arbitration process is followed in an attempt to settle the claim outside the court. The matter is currently in mediation.

54.02 The Council is currently party to a court case, case 2226/11 in which Verrewyde Eiensdom BPK instituted a claim of R33 119 510 regarding erf 599 Waenhuiskrans against the Council. Council filed a plea to the original claim. The matter is sub judice and the amount is regarded as a contingent liability until judgement is passed.

54.03 A guarantee was issued by Council to the Department of Mineral and Energy for rehabilitation of ground works with the construction of the Sanddrift Dam. This guarantee has not been raised by the said department.

54.04 A claim was lodged against the council by Spronk and Associates Incorporated for town planning performed on behalf of the municipality. The council opposes the appointment of the consultant due to inappropriate procedures followed during the procurement process. The amount of the claim is R 1 061 099.29

54.05 The council is summoned by Mr L P Fourie regarding unlawful arrest, unlawful detention and malicious deprivation of freedom to the amount of R50 000, case 885/2011. Council filed a plea to plaintiff's claim.

54.06 An application was lodged by Arniston Hotel and 3 others to review of decision to alienate Erf 758 Arniston. On Legal advice, estimated costs to be incurred is between R 60 000 and R 80 000.

54.07 Cape Agulhas Municipality self review application to set aside the decision to alienate Erf 758 Arniston. Estimated costs to be incurred amounts to R443 450,44 (incl VAT) for legal fees, advocates fees and disbursements.

54.08 The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

54.09 On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. Due to the wage curve agreement having lapsed, pending court of appeal ruling and no job evaluation exercise being conducted at the municipality, it is not practicable to calculate the possible financial impact this dispute will have on the current and prior years affected. An exercise, informed by the outcome of the job evaluation as well as the court ruling, will be undertaken to determine a reliable estimate.

54.08 Guarantees in favour of the following third parties

- Building of dam (Nedbank) - R 7 000
- The Post Office - R 50 000

55 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

55.1 Related Party Transactions

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

55.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

55.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

55.4 Investment in Municipal Entity

The Municipality has a 100% shareholding in the Southernmost Development Agency (Soc) Ltd - Refer to note 17

55.5 Other related party transactions

		2013	2012
		R	R
The following purchases were made during the year where Councillors or Management have an interest:			
<u>Councillor/Employee</u>	<u>Entity</u>		
B Salo	R Salo (Spouse of B Salo)	-	1 200
C Marthinus	T Marthinus T/A Ikhula Enterprises (Spouse of C Marthinus)	1 600	13 235
D Fredericks	Adonai Funeral Home (Brother of D Fredericks)	5 800	-
D Oncke	KJ Jansen (Parent of D Oncke)	24 504	
F Pieterse	F Pieterse (Spouse of F Pieterse)	-	15 500
H Damons	Propriata Civil Enterprises (Brother of L Jacobs)	414 986	437 986
H Damons	S Kroukamp (Parent of H Damons)	-	40 290
H de Jager	EE De Jager (Brother of H De Jager)	115 799	17 860
H de Jager	Easy Mix (Spouse of H de Jager)	-	472 916
H Spandiel	Cape Agulhas Communications (Parent of H Spandiel)	1 800	2 950
J Diedericks	AD Diedericks (Brother of J Diedericks)	93 527	41 521
J Teixeira & L Teixeira	M.A.T Overberg Retailers (Spouses of J Teixeira & L Teixeira)	177	5 012
L Fortuin	J Fortuin (Brother of L Fortuin)	-	1 403
M Pietersen	D Lourens (Parent of M Pietersen)	-	29 000
M Smal	Microzone Trading 529 CC (Spouse of M Smal)	-	832 597
M Smal	EG Lakey T/A Lakey Bouers	-	75 860
R Marthinus	R Marthinus T/A Kassies Kove Restaurant (Former official)	4 425	-
R Mitchell	L&M Construction (Brother of R Mitchell)	-	39 250
R Temmers	JJ Temmers (Spouse of R Temmers)	2 300	-
		<u>664 918</u>	<u>2 026 579</u>

The following short term rental agreements for tuck shops in the holiday resorts were entered into with the following related parties:

R Mitchell	LC Mitchell (Brother of R Mitchell)	-	R140 p/day
D Jantjes	Heinrich & Deidre Jantjes (Children of Councillor Jantjes)	-	R500 p/year

APPENDIX A - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS							
DBSA	15.00%	B48	30/06/2017	818 793	-	120 072	698 721
Total Annuity Loans				818 793	-	120 072	698 721
LEASE LIABILITY							
Office Equipment				570 499	43 969	247 339	367 130
Vehicles				22 977	-	22 977	-
Total Lease Liabilities				593 476	43 969	270 316	367 130
TOTAL EXTERNAL LOANS				1 412 269	43 969	390 388	1 065 850

APPENDIX B - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

		Cost/Revaluation						Accumulated Depreciation						Carrying Value	
		Opening Balance	Residual Value	Opening Balance	Additions	Residual Value	Disposals	Residual Value	Disposals	Opening Balance	Closing Balance	Disposals	Opening Balance	Closing Balance	
Land and Buildings															
Land	49 731 200	-	-	182 788	-	3 523 000	-	-	46 390 988	-	-	-	46 390 988	-	
Buildings	23 529 855	-	-	449 080	-	1 920 000	-	22 058 935	10 173 494	214 209	235 699	10 152 004	11 906 931		
Infrastructure	73 281 055	-	631 867	-	5 443 000	-	68 449 923	10 173 494	214 209	235 699	10 152 004	58 297 918			
Roads and Storm water	52 392 684	-	7 973 447	-	-	-	60 366 131	6 872 165	1 365 063	-	-	8 237 228	52 126 903		
Electricity Network	38 114 078	-	1 900 564	-	-	-	40 014 632	8 632 106	887 258	-	-	9 519 363	30 495 268		
Sewerage Network	33 311 758	-	9 068 404	-	-	-	42 380 163	4 654 316	638 443	-	-	5 492 759	36 887 403		
Water Network	36 005 400	-	7 985 690	-	-	-	43 991 090	12 652 140	808 042	-	-	13 460 182	30 530 908		
Refuse Removal	2 054 116	-	-	-	-	-	2 054 116	1 148 216	78 103	-	-	1 226 319	627 796		
Community Assets	161 878 035	-	26 928 086	-	-	-	188 806 131	33 958 943	3 976 906	-	-	37 935 852	150 870 279		
Recreation Grounds	2 556 388	-	389 311	-	-	-	2 945 699	436 557	123 123	-	-	559 680	2 386 019		
Community Halls	2 937 638	-	1 895 870	-	-	-	4 633 509	119 772	32 203	-	-	161 975	4 681 634		
Libraries	1 038 044	-	-	-	-	-	1 038 044	64 863	34 462	-	-	938 719	938 719		
Parks & Gardens	365 119	-	58 758	-	-	-	423 877	78 805	12 103	-	-	90 906	332 970		
Clinics	97 995	-	-	-	-	-	97 995	8 828	960	-	-	9 808	88 187		
Sports facilities	419 545	-	-	-	-	-	419 545	75 472	15 400	-	-	90 872	328 673		
Cemeteries	30 000	-	-	-	-	-	30 000	185	300	-	-	485	29 515		
Leased Assets	7 444 729	-	2 343 939	-	-	-	9 788 669	784 481	218 571	-	-	1 003 062	8 785 617		
Leased Assets - Vehicles	243 287	-	274 500	-	-	-	243 287	274 500	-	-	-	-	-		
Leased Assets - Office Machines	1 705 478	-	-	43 969	-	12 000	-	1 737 447	1 070 830	156 307	2 935	1 224 302	513 145		
Other Assets	1 948 784	274 500	43 969	255 287	274 500	1 737 447	1 304 163	166 360	246 222	1 224 302	-	513 145			
Vehicles	7 646 245	2 327 939	1 635 906	208 619	89 764	70 750	11 656 196	2 018 974	742 246	62 049	2 699 172	8 959 024			
Tools & Equipment	3 971 586	-	315 733	-	307 051	-	3 980 248	1 146 500	301 401	185 087	1 262 814	2 717 434			
Furniture	1 234 667	-	301 668	-	24 258	-	1 512 077	182 077	65 764	4 689	243 142	1 268 395			
Special Vehicles	1 257 078	1 723 620	-	-	-	-	2 980 698	564 483	56 564	-	621 047	2 359 652			
Tables	928 578	-	-	-	29 982	-	896 595	165 630	32 002	5 970	191 662	706 933			
Chairs	554 407	-	-	-	44 993	-	509 414	172 653	37 269	19 003	190 920	318 495			
Office Equipment	1 849 076	-	188 083	-	266 682	-	1 770 477	574 710	167 448	147 397	594 761	1 175 715			
Computer Hardware	2 984 690	-	580 839	-	328 040	-	819 023	283 645	175 315	927 354	2 310 184				
Civic Land and Buildings	4 042 098	-	-	-	4 042 098	-	316 882	70 010	-	386 882	3 655 206				
Other	4 231 623	-	7 816	-	65 069	-	4 174 370	1 300 003	254 572	36 783	1 518 792	2 655 578			
Furniture and Office Equipment - CAMLEDA	48 410	-	15 610	-	64 020	-	0	2 016	2 186	4 202	-	0			
Total	28 748 437	4 051 559	3 045 755	208 619	1 219 909	70 750	34 763 711	7 262 951	2 013 108	639 503	8 636 556	26 127 155			
Investment Properties	36 653 800	-	-	885 000	-	-	35 768 900	56 422	2 730	-	-	59 152	35 709 848		
Total	309 934 821	4 326 059	32 993 627	208 619	7 803 196	345 250	339 314 680	53 540 453	6 591 888	1 121 424	59 010 917	280 303 763			

APPENDIX C - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY AS AT 30 JUNE 2013
GENERAL FINANCE STATISTICS CLASSIFICATION

	Opening Balance	Residual Value Opening Bal	Cost	Residual Value Additions				Residual Value Disposals	Residual Value Disposals	Opening Balance	Accumulated Additions	Depreciation	Disposals	Closing Balance	Carrying Value
				Cost	Residual Value	Additions	Disposals								
Executive and Council	902 264	-	14 145	181 722	-	-	-	734 687	271 784	55 042	94 057	232 770	501 917		
Budget and Treasury Office	3 316 010	47 500	627 941	-	139 069	-	-	3 852 383	917 121	309 714	65 904	1 160 931	2 691 451		
Corporate Services	115 603 691	49 594	295 765	-	6 449 028	-	-	109 500 022	11 522 938	506 192	294 397	11 734 733	97 765 289		
Community and Social Services	3 833 461	40 500	2 110 065	27 900	-	-	-	5 805 558	890 810	250 982	75 935	1 065 857	4 739 701		
Public Safety	1 437 114	108 138	472 557	40 719	135 817	-	-	1 922 710	256 817	142 408	85 816	313 409	1 609 302		
Road Transport	56 485 258	907 140	8 330 013	28 150	62 775	-	-	65 687 886	7 962 885	1 570 985	38 775	9 465 075	56 192 811		
Environmental Protection	3 920	-	-	-	2 476	-	-	1 445	-	1 217	231	901	547	897	
Sport and Recreation	5 802 463	424 364	1 087 964	-	262 330	157 500	-	6 894 461	1 307 836	294 387	187 986	1 414 238	5 480 224		
Waste Water Management	35 901 886	743 805	9 113 372	-	4 495	-	-	45 754 368	5 487 330	1 015 734	2 503	6 500 561	39 253 807		
Waste Management:	4 118 564	605 450	718 434	56 050	10 200	-	-	5 488 298	1 535 826	291 281	2 884	1 824 223	3 664 075		
Electricity	42 716 207	997 346	1 927 344	-	67 459	4 750	-	49 568 889	9 614 795	1 079 606	40 070	10 654 331	34 914 357		
Water	39 206 085	402 222	8 296 028	55 800	231 880	-	-	47 545 254	13 454 232	1 036 277	200 449	14 289 759	33 255 495		
Other	608 097	-	-	-	49 178	-	-	558 919	316 882	39 048	31 447	324 483	234 436		
TOTAL	309 934 821	4 326 059	32 993 627	208 619	7 803 96	345 250	339 314 680	53 540 453	6 591 886	1 121 124	59 010 917	280 303 763			

APPENDIX D - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
54 344 922	(47 134 829)	7 210 094	Executive and Council	73 984 992	(48 409 661)	25 575 331
35 962 867	(18 748 607)	17 214 260	Budget and Treasury Office	37 888 651	(24 826 839)	13 061 812
880 920	(14 096 864)	(13 215 943)	Corporate Services	896 354	(20 380 295)	(19 483 941)
3 955 236	(10 313 070)	(6 357 833)	Community and Social Services	4 928 047	(10 098 445)	(5 170 398)
3 931 863	(5 683 597)	(1 751 734)	Sport and Recreation	3 992 164	(6 702 897)	(2 710 733)
2 709 860	(4 979 099)	(2 269 239)	Public Safety	2 895 824	(5 427 212)	(2 531 388)
3 082 858	(11 909 412)	(8 826 554)	Road Transport	3 261 349	(13 381 679)	(10 120 330)
60 538 816	(50 733 514)	9 805 302	Electricity	65 679 676	(56 684 420)	8 995 257
14 986 264	(9 304 880)	5 681 384	Water	16 392 143	(10 798 019)	5 594 124
5 519 780	(5 333 795)	185 985	Waste Water Management	6 434 871	(6 095 156)	339 715
8 981 434	(7 349 878)	1 631 557	Waste Management	9 806 279	(8 421 362)	1 384 917
-	(331 122)	(331 122)	Environmental Protection	-	(382 328)	(382 328)
-	(1 902 133)	(1 902 133)	Other	4 511	(2 116 679)	(2 112 169)
194 894 821	(187 820 798)	7 074 023	Total	226 164 861	(213 724 991)	12 439 871

APPENDIX E(1) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
OPERATING EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2013 Actual (R)	2013 Budget (R)	2013 Variance (R)	2013 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
EXPENDITURE					
Executive and Council	48 409 661	54 527 993	(6 118 332)	(11%)	Roll over of unspent grants
Budget and Treasury Office	24 826 839	21 294 022	3 532 817	17%	Increase in leave and provision for impairment
Corporate Services	20 380 295	14 863 124	5 517 171	37%	Transfer of properties not budgeted for
Community and Social Services	10 098 445	12 740 237	(2 641 792)	(21%)	Saving on employee related costs
Sport and Recreation	6 702 897	8 092 815	(1 389 918)	(17%)	Saving on employee related costs
Public Safety	5 427 212	5 981 721	(554 509)	(9%)	
Road Transport	13 381 679	14 315 267	(933 588)	(7%)	
Electricity	56 684 420	55 479 532	1 204 888	2%	
Water	10 798 019	11 515 163	(717 144)	(6%)	
Waste Water Management	6 095 156	6 948 105	(852 949)	(12%)	
Waste Management	8 421 362	8 859 901	(438 539)	(5%)	
Environmental Protection	382 328	509 887	(127 559)	(25%)	Saving on employee related costs
Other	2 116 679	2 204 504	(87 825)	(4%)	
Total Expenditure	213 724 991	217 332 271	(3 607 280)		

APPENDIX E (2) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2013
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2013 Actual (R)	2013 Budget (R)	2013 Variance (R)	2013 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Executive and Council	14 145	15 000	(855)	(6%)	
Budget and Treasury Office	627 941	410 000	217 941	53%	Capital from MSIG not budgeted for
Corporate Services	295 765	266 500	29 265	11%	
Community and Social Services	2 589 465	2 896 578	(307 113)	(11%)	Delay in Thusong Centre project
Sport and Recreation	1 087 964	1 365 000	(277 036)	(20%)	Underspending of capital budget
Public Safety	513 276	510 000	3 276	1%	
Road Transport	8 358 163	6 636 988	1 721 175	26%	GAP Housing not budgeted for in capital
Electricity	1 927 344	2 434 247	(506 903)	(21%)	Underspending of capital budget
Water	8 351 828	8 913 889	(562 061)	(6%)	
Waste Water Management	9 113 372	5 525 439	3 587 933	65%	RBIG expenditure to be recovered in 2014
Waste Management	10 773 265	1 035 000	9 738 265	941%	Increase in cost of landfill rehabilitation
Total	43 652 527	30 008 641	13 643 886	45%	

**APPENDIX F - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2012	Correction of error	Balance 1 JULY 2012	Grants Received	Interest Received	Transfer and Write-offs	Operating Expenditure during the year	Capital Expenditure during the year	Balance 30 JUNE 2013
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants	R	R	R	R	R	R	R	R	R
Equitable Share	-	-	-	-	-	-	16 877 000	-	-
Local Government Financial Management Grant	(1 212)	-	(1 212)	1 250 000	-	-	1 248 788	-	-
Municipal Systems Improvement Grant	3 710	-	3 710	800 000	-	-	132 704	671 006	-
Municipal Infrastructure Grant	(963 523)	963 523	-	10 284 000	-	-	1 705 121	8 578 879	-
Regional Bulk Infrastructure Grant (RBIG)	(3 801)	-	(3 801)	5 557 971	-	-	1 081 840	7 834 832	(3 362 502)
Skills Development Fund	-	-	-	321 361	-	-	321 361	-	-
National Electrification Programme (INEP)	-	-	-	1 000 000	-	(425 158)	-	815 707	(240 866)
Expanded Public Works Program	-	-	-	1 000 000	-	-	293 694	706 306	-
Total National Government Grants	(964 826)	963 523	(1 303)	37 090 332	-	(425 158)	21 660 508	18 606 731	(3 362 502)
Provincial Government Grants									
Library Services	-	-	-	4 163 000	-	-	3 241 918	99 723	821 359
Proclaimed Road Subsidy	(1 330 079)	-	(1 330 079)	4 575 400	-	-	3 245 321	-	-
CDW	64 379	-	64 379	108 000	-	-	75 895	1 491	94 993
Provincial Financial Grant	81 497	-	81 497	-	-	-	81 497	-	-
Masibambane Programme	67 777	-	67 777	-	-	-	-	-	67 777
RDP Housing Zwelitsha	678 936	-	678 936	-	-	-	-	-	67 756
RDP Housing Phase 4	251 011	-	251 011	-	-	-	611 180	-	251 011
Thusong Centre	2 500 000	-	2 500 000	500 000	-	-	265 422	1 895 870	838 708
Department of Housing	49 380	-	49 380	33 589 370	-	-	33 596 602	-	42 148
Department of Housing (GAP Housing)	-	-	-	2 470 312	-	-	-	2 166 940	303 372
Department of Housing (Basic Services)	-	-	-	1 412 880	-	-	-	613 631	799 249
RDP Houses Electricity	(1 425 158)	-	(1 425 158)	1 000 000	-	425 158	-	-	-
Provincial Contribution to the acceleration of housing	-	-	-	2 500 000	-	-	-	-	2 500 000
Total Provincial Government Grants	937 742	-	937 742	50 318 962	-	425 158	41 117 834	4 777 657	5 786 371
Other Grant Providers									
IDC (Pre-Establishment Costs Southernmost Development Agency (Soc) Ltd)	831 297	-	831 297	-	25 199	-	109 902	327 807	418 786
Total Other Grants	831 297	-	831 297	-	25 199	-	109 902	327 807	418 786
Total	804 213	963 523	1 767 736	87 409 293	25 199	-	62 888 244	23 712 195	2 601 790